



# TaxNewsFlash

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## IRS practice unit: Sale of a partnership interest

The IRS Large Business and International (LB&I) division publicly released a “practice unit”—part of a series of IRS examiner “job aides” and training materials intended to describe for IRS agents leading practices about tax concepts in general and specific types of transactions.

The title of this “transaction unit” (as referred to by the IRS) is: *Sale of a partnership interest*

This guidance addresses the following issues on the sale of a partnership interest:

- Issue 1: Did an ownership change occur where one partner sold an interest in the partnership to a new or existing partner?
- Issue 2: Did the partner who sold an interest in the partnership properly report the gain or loss?
- Issue 3: Did the selling partner consider whether the partnership has any section 751 assets and treat any of the gain or loss on the sale of the partnership interest as ordinary income?
- Issue 4: Did the selling partner consider whether the partnership has any section 1250 assets and treat any of the gain or loss on the sale of the partnership interest as being subject to tax at the unrecaptured section 1250 gain tax rate?
- Issue 5: Did the partnership have a section 754 election in place? If so, did the partnership correctly compute the section 743(b) adjustment?

Read this transaction unit on the [IRS practice unit webpage](#) (posting date of March 12, 2021).

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